

Fairness and Opportunities for Married Households with Student Loans Act (H.R. 3623)

Background and Purpose

The *Fairness and Opportunities for Married Households with Student Loans Act* would help young Americans working hard to get ahead and start a family by cutting the unfair marriage penalty in the student loan interest deduction.

Many Americans are putting off marriage and family life, often because they cannot get ahead economically or see a viable route to the middle class lifestyle that their parents were able to provide for them. This is a serious personal and professional hardship. But it also impacts the nation more broadly - from discouraging marriage, which is the most time-tested source of socio-economic security for children, to risking the long-term solvency of social insurance programs by thinning-out the future workforce. Home ownership and retirement savings among young adults have plummeted in the last decade, and social mobility through higher education is at risk.¹ Our federal tax policies sometimes contribute to these problems. But they can also contribute to the solutions.

One of the heaviest burdens on Americans is student loan debt, which stands at \$1.2 trillion and is growing rapidly.² Over 11 million tax filers who responsibly pay their student loans currently receive a much-needed tax deduction for interest paid.

But today a couple, in which each person has student loan debt, is penalized for getting married. Unmarried, each can deduct up to \$2,500 of interest paid on their respective student debts. Upon getting married, however, one spouse's important tax assistance is suddenly wiped-out because the \$2,500 cap stays the same for a joint return even though each spouse maintains their own individual debts (unlike, for example, newlyweds' moving into a home with one mortgage). This penalty unfairly strikes many young Americans just as they are starting a household and discourages others from doing the same.

Legislative Solution

The *Fairness and Opportunities for Married Households with Student Loans Act* would raise the cap on the educational loan interest deduction from \$2,500 to \$5,000 for married couples filing jointly (married filing separately will continue to be ineligible). As a result, this legislation and its incentives toward education, marriage, and financial independence are:

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|---------------------------------|--------------------|
| *Pro-family and pro-marriage | *Pro-taxpayer |
| *Pro-social mobility | *Pro-education |
| *Pro-middle class | *Pro-young people |
| *Pro-student loan payers | *Pro-retirement |
| *Pro-social insurance viability | *Pro-homeownership |

Because the educational loan interest deduction already has a phase-out for higher income levels and is claimed on top of the standard deduction without itemizing, the *Fairness and Opportunities for Married Households with Student Loans Act* works for those who need it most

With student loans putting an increasing weight on the national economy, it is time to stop penalizing and start strengthening the Americans who pay them.

¹ Kelly Holland. "The High Economic and Social Costs of Student Loan Debt." <http://www.cnn.com/2015/06/15/the-high-economic-and-social-costs-of-student-loan-debt.html>.

² ABA Banking Journal. "Student Loan Debt Outpacing Other Debt Growth." <http://bankingjournal.aba.com/2015/05/student-loan-debt-outpacing-other-debt-growth/>.